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FOREST INDUSTRIES

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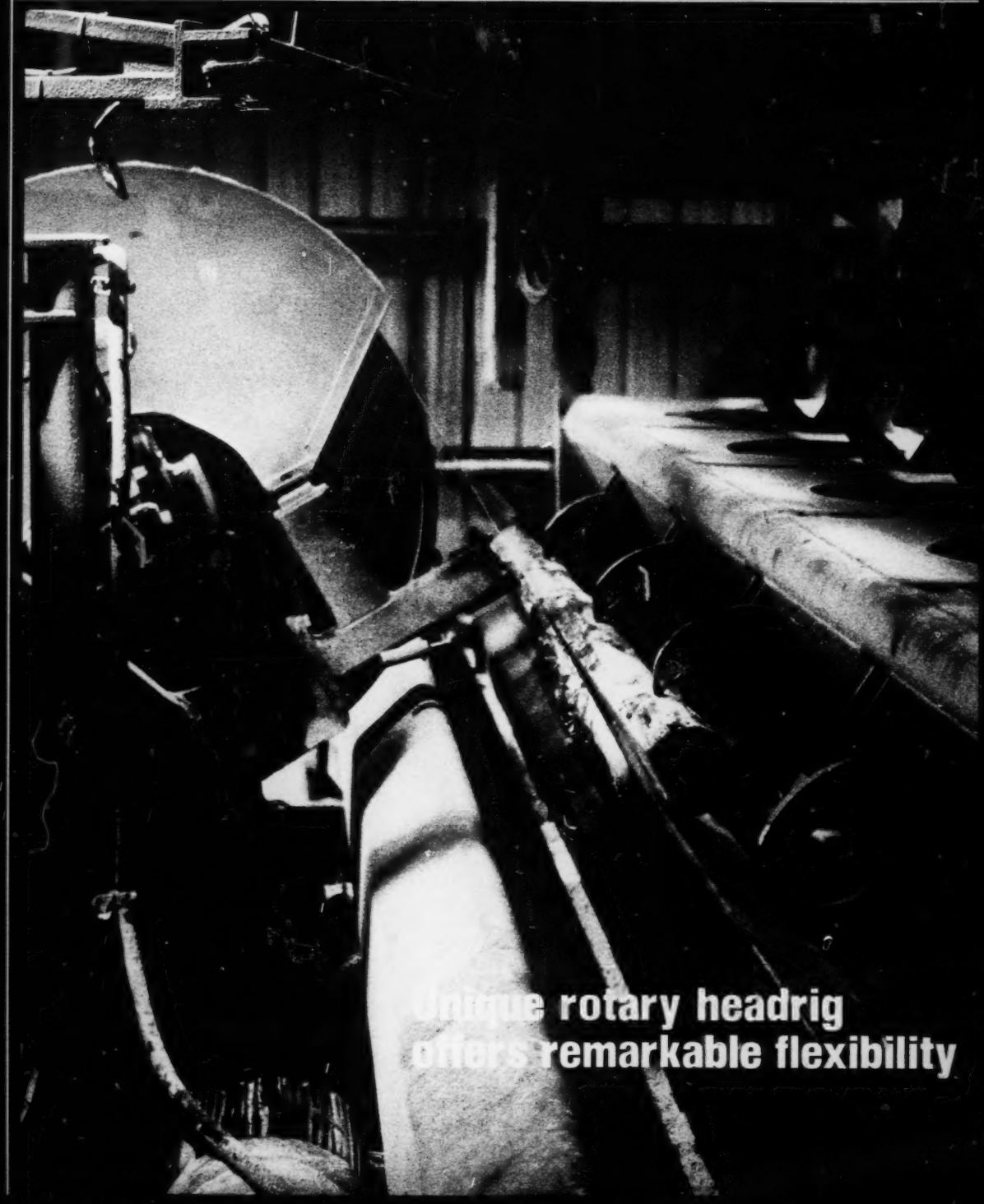

Unique rotary headrig offers remarkable flexibility

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For forestry firms, '84 results look good

SAN FRANCISCO, CALIF.—For a good many U.S. forest products firms, 1984 turned out to be a pretty good year, financially. Had it not been for some unusual write-offs connected with such things as buyouts of federal timber contracts and charges related to trimming operations, the year would have been even better.

But the companies that did best tended to make most of their profits from pulp and paper operations. Although 1984's housing-start total of 1.74 million was about the same as 1983's, prices for building products were weak. This was especially true during the last half of 1984.

Percentages can be deceiving, but it does look good to be able to say your annual profits jumped 197%. Willamette Industries topped the FOREST INDUSTRIES chart with that figure, which represents a profit of $66.2 million on annual sales of $1.18 billion (a 13% increase over 1983).

Georgia-Pacific's results illustrate another factor that statistics can hide. Thanks to a $160-million charge related to the sale of its chemical business and a $2-million loss from that business's operations, G-P's fourth-quarter net was a loss of $99 million. However, fourth-quarter profits from continuing operations more than doubled to $63 million, while sales rose 15%.

Southwest Forest Industries wrote off $9.95 million in the fourth quarter to cover its "buyout" of 200 million bd ft of federal timber. This smothered a meager $918,000 profit for the quarter.

Potlatch's chairman and chief executive officer, Richard B. Madden, said wood products were 1984's biggest disappointment. Pulp and paper profited from strong demand, but decent demand for wood products couldn't overcome poor prices. Since the lumber and panel markets are likely to continue to suffer from oversupply, Madden said, Potlatch's wood products division is likely to have a hard time this year.

Harry A. Merlo, Louisiana-Pacific's chairman and president, also worried about oversupply: "In light of the negative impact on the lumber market resulting from high levels of Canadian imports, we're pleased with the performance we were able to achieve in 1984. While oversupply resulting from Canadian imports caused most lumber prices to remain relatively low throughout the year, excellent demand for several other products helped pick up the slack."

Industry sales and earnings

Company	1984 ($000,000) Sales	% Chg ('83)	Earnings	% Chg ('83)	4th Qtr. ($000,000) Sales	% Chg ('83)	Earnings	% Chg ('83)
Bohemia	84.5	+12	-4.3	NM	40.4	-2	-3.2	NM
Boise Cascade	3820.0	+11	66.6	+15	907.1	+1	-24.5	NM
Chesapeake	350.2	+28	22.1	+77	76.3	+20	5.4	-17
Crown Zellerbach	2090.0	+15	86.9	-1	505.6	+11	10.3	-68
Georgia-Pacific	6680.0	+11	119.0	+40	1770.0	+15	-99.0	NM
Hammermill Paper	1855.0	+14	55.9	+72	500.0	+4	16.2	-12
Intl. Paper	4700.0	+7	120.0	-53	1100.0	0	-74.0	NM
Louisiana-Pacific	1230.0	+12	42.2	+51	283.8	-3	1.95	-72
Pope & Talbot	321.0	+14	-0.6	NM	79.1	+9	-4.7	NM
Potlatch	983.9	+10	49.6	+23	236.1	+1	10.0	-.1
Scott Paper	2847.0	+5	197.0	+51	747.2	-.4	49.9	+41
Southwest Forest	777.4	+22	4.1	-83	189.9	+19	-9.0	NM
Temple-Inland	1263.0	+8	102.7	+113	296.1	+3	25.7	+107
Union Camp	1974.0	+17	181.5	+37	477.6	+8	38.8	+6
Weyerhaeuser	5550.0	+14	226.2	+10	1407.0	+12	27.3	-61
Willamette Ind.	1182.0	+13	66.2	+197	298.0	+13	20.8	+618

NM = Not meaningful.

L-P's 1984 earnings jumped 51% to $42.2 million, thanks largely to good sales of pulp products and waferboard.

Over at Union Camp, where pulp and paper products are a mainstay, chairman and chief executive officer Peter J. McLaughlin exuded optimism: "The 1985 economic outlook remains positive. Our customers are enjoying good levels of business activity, which makes us confident that strong demand for paper products will continue."

Union Camp's 1984 profits jumped 37% to $181.5 million.

Write-offs related to building products operations turned profits to losses for both International Paper and Boise Cascade. IP wrote off $163 million before taxes in the fourth quarter, turning a $44-million profit into a $74-million loss. (Tax breaks resulting from the write-off reduced its true cost to about $118 million.)

But there was good news in the paper sector, IP noted: its operating profits tripled in 1984.

Writing off $88 million caused Boise Cascade to post a fourth-quarter loss of $24.5 million. Without those charges, the company said its profits would have shown sharp improvements. Boise wrote off a hardboard plant it closed, various consolidations in its wood products operations and $10 million to buy out some federal timber contracts.

Crown Zellerbach also bit the bullet in the fourth quarter and charged $30.1 million against profits to cover losses on timber-cutting projects and costs of restructuring its timber business. Fourth-quarter income fell 59% to $10.3 million. Annual profits dipped about 1% to $86.9 million. ■

Interest-rate fears detour homebuyers

SAN FRANCISCO, CALIF.—Some widely reported interest rates, such as the prime rate and Federal Reserve discount rate, have dropped in the past few months, but mortgage rates haven't fallen enough to stimulate homebuying.

Analysts say many potential buyers are waiting for mortgages to drop further. And builders are waiting for 1985's frequent blasts of "Siberian" air to stop before starting new projects.

The result is that homebuilding in the first half of this year is unlikely to keep up with the pace set in the first six months of 1984. Last year started off with a bang: the annual homebuilding rate even topped 2 million units briefly, and the period finished with an annual rate of 1.93 million.

That strength balanced later weakness in building to give 1984 an actual start rate of 1.74 million, 3% higher than 1983 and 2% above the forecasts for 1984. More typical of the last half of the year was December's homebuilding rate of 1.59 million units, which was pretty close to the rates recorded in November and October. December's annual rate of new building permits was also about 1.59 million. Actual starts in December totaled 96,800 units, slightly higher than the seasonal normal.

When decent construction weather returns to most of the U.S., builders will start working again, forecasts Data Resources Inc. The Massachusetts economic-analysis firm says 1985 should record 1.8 million housing starts. That would be the best year since 1978. ■